

## Message Text

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5730

C O N F I D E N T I A L 7836

EXDIS

E.O. 11652: GDS

TAGS: EAGR EG

SUBJECT: POSSIBLE GOE RETIREMENT OF SOVIET DEBT

1. EMBASSY BELIEVES THAT SOME DE FACTO EGYPTIAN DEBT REPAYMENT TO USSR MAY HAVE OCCURRED IN 1974 AND MAY OCCUR AGAIN IN 1975. IF SO, THIS WILL CONFLICT WITH ASSURANCES PROVIDED BY GOE TO UNDER SECRETARY ROBINSON THAT THERE WOULD BE NO REDUCTION OF DEBT TO SOVIETS AT TIME WHEN EMERGENCY FINANCIAL ASSISTANCE WAS BEING PROVIDED TO EGYPT. THIS BASED ON STRONG POSSIBILITY THAT VALUE OF EGYPTIAN EXPORTS TO USSR MAY HAVE EXCEEDED VALUE OF CIVILIAN IMPORTS SINCE 1973. WE UNDERSTAND THAT, IN 1973, OFFICIAL USSR DATA SHOWED ALMOST BALANCED TRADE WITH EGYPT. ACCORDING TO EGYPTIAN COTTON EXPORT DATA VALUE OF SOVIET COTTON IMPORTS ROSE FROM LE 50 MILLION (US \$127 MILLION AT OFFICIAL RATE) IN 1972/73 TO LE 84 MILLION (US \$214 MILLION) IN 1973/74. (EGYPTIAN "COTTON EXPORT YEAR" EXTENDS FROM SEPT 1 TO AUG 31, BUT MOST EXPORTS ARE SHIPPED DURING LAST DESIGNATED YEAR.) UNLESS EGYPTIAN CIVILIAN IMPORTS FROM USSR ROSE CORRESPONDINGLY OR OTHER EXPORTS FELL, A NET SURPLUS OF MORE THAN US \$100 MILLION WAS AVAILABLE FOR CURRENT ARMS PURCHASES OR FOR RETIREMENT OF ACCUMULATED DEBT. ACCORDING TO OUR UNDERSTANDING, SUCH SURPLUSES ACCUMULATED UNDER TRADE AGREEMENTS ARE AUTOMATICALLY CREDITED TO REDUCTION OF CURRENT DEBT.

2. SURPLUSES OF AT LEAST THIS MAGNITUDE MAY BE IN  
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PROSPECT FOR 1975 AND BEYOND. ACCORDING TO CHAIRMAN

OF EGYPTIAN COTTON BORAD (SEE CAIRO 6640), 90 PERCENT OF 1974/75 COTTON CROP WAS SHIPPED TO COMMUNIST COUNTRIES -- MOSTLY EASTERN EUROPE -- EARLIER THIS YEAR. EVEN THOUGH PRICES UNDOUBTEDLY WERE LOWER THAN DURING LAST YEAR'S SELLERS' MARKET, INCREASED VOLUME COULD HAVE RESULTED IN ANOTHER EGYPTIAN TRADE SURPLUS WITH THE USSR.

3. IT IS NOW RUMORED IN CAIRO THAT BULK OF 1975/76 COTTON CROP ALSO WILL GO TO EASTERN EUROPE IF FREE WORLD PRICE SITUATION DOES NOT IMPROVE. SHORTLY, EXPORTS TO USSR WILL BE FURTHER INFLATED BY 50 PERCENT OF OUTPUT OF NAJ HAMMADI ALUMINUM COMPLEX. THESE DEVELOPMENTS, PLUS RUMOR THAT USSR IS ANGLING FOR 50 PERCENT OF ABU TARTUR PHOSPHATE PUTPUT SUGGEST STRONGLY THAT DEBT RETIREMENT OR STABLIZATION OVER NEXT SEVERAL YEARS IS A SERIOUS PROSPECT.

4. DUE TO DEFECTS IN EGYPTIAN TRADE DATA AND TIME THAT ELAPSES BEFORE THEY APPEAR, WE MAY BE UNABLE TO DETERMINE WHETHER THIS HAS OR COULD OCCUR ON BASIS OF INFORMATION AVAILABLE IN CAIRO. WE URGE, THEREFORE, THAT DEPT KEEP CAREFUL WATCH ON SOVIET TRADE DATA AVAILABLE IN WASHINGTON. WE UNDERSTAND THAT SOVIET TRADE HANDBOOK FOR 1974 SHOULD BE AVAILABLE SHORTLY IF IT HAS NOT ALREADY ARRIVED. WE WOULD APPRECIATE HAVING 1974 IMPORT AND EXPORT TOTALS FOR EGYPT FROM HANDBOOK AS WELL AS COMMENT FOR APPROPRIATE AGENCIES ON POSSIBILITIES OUTLINED ABOVE.  
MAESTRONE

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